

November 14, 2011

Natural Gas Trends

Highlights

EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) November 8, 2011 Short-Term Energy Outlook:

Spot prices, natural gas. EIA projects for calendar years 2011 and 2012 Henry Hub natural gas average spot prices of \$4.09 and \$4.13, respectively, per million British thermal units (MMBtu). The price per MMBtu averaged \$4.39 in 2010, \$5.50 in 2009, \$9.13 in 2008, and \$7.17 in 2007.

*For most of the past 30 years, WTI has traded at a **price premium** over the average U.S. acquisition cost of oil. However, growth in crude oil supply, particularly from Canada and North Dakota to the midcontinent region where WTI is traded, has not been matched by increases in transportation capacity from the Midwest to refining centers. This transportation bottleneck has contributed to a large **price discount** for WTI relative to other U.S. and world crude oils.*

Spot prices, crude oil.

EIA expects the U.S. average refiner acquisition cost of crude oil to be about \$100 per barrel in 2011 and 2012. The West Texas Intermediate (WTI) spot price was about \$89 per barrel in the 3rd quarter of 2011 due to oil transport bottlenecks. The WTI crude oil spot price per barrel averaged \$79 in 2010, \$62 in 2009, \$100 in 2008, and \$72 in 2007.

Consumption. EIA expects U.S. natural gas consumption to rise by 1.1% in 2012 to 67.9 billion cubic feet per day (Bcf/d).

Production. EIA expects total marketed U.S. natural gas production to rise to an average of 66.9 Bcf/d in 2012, an increase of 2% over 2011. Total marketed U.S. natural gas production increased by 4.4% in 2010, by 3.7% in 2009, and by 5.9% in 2008.

Imports. EIA expects gross pipeline imports of natural gas to average 8.5 Bcf/d in 2011 and 8.3 Bcf/d in 2012, decreases of 6.7% and 1.4%, respectively. Liquefied natural gas (LNG) imports are expected to decline from about 1.2 Bcf/d in 2010 to .9 Bcf/d in 2011 and .7 Bcf/d in 2012. U.S. imports of LNG totaled about 431 Bcf in 2010, 452 Bcf in 2009, 352 Bcf in 2008, and 771 Bcf in 2007.

Source: <http://www.eia.doe.gov/emeu/stco/pub/contents.html>

Data

- December Natural Gas Futures Contract (as of November 11), NYMEX at Henry Hub closed at \$3.584 per million British thermal units (MMBtu)
- December Light, Sweet Crude Oil Futures Contract (as of November 11), NYMEX at Cushing closed at \$98.99 per U.S. oil barrel (Bbl.) or approximately \$15.76 per MMBtu

Last week: Texas CDD higher than normal

For the week beginning 11/6/11 and ending 11/12/11, cooling degree days were higher than normal for Texas and lower than normal for the U.S. For the cooling season (1/1/11 to 12/31/11), cumulative cooling degree days were 30% above normal for Texas and 21% above normal for the U.S. Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 11/12/11	* Week CDD +/- from Normal	Year-to-date total CDD	* YTD % +/- from Normal
Amarillo	0	0	2221	+ 65 %
Austin	22	+ 7	3509	+ 19 %
Dallas – FW	16	+ 9	3605	+ 41 %
El Paso	0	0	3156	+ 40 %
Houston	27	+ 8	3854	+ 36 %
San Antonio	21	+ 4	3904	+ 30 %
Texas**	17	+ 4	3397	+ 30 %
U.S.**	3	- 1	1457	+ 21 %

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.

** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. natural gas storage at 3,831 Bcf

For the week ending 11/4/11, U.S. working gas in storage increased from 3,794 to 3,831 Bcf, compared to 3,837 Bcf in storage a year ago and compared to an average of 3,616 Bcf in storage during the 5-year period from 2006 to 2010. Working gas in storage in the producing region (which includes Texas) increased from 1,220 to 1,235 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 11/4/11	Prior Week	One-week Change	Current Δ from 5-YR Average (%)
East	2,085	2,069	+ 16	+ 2.4 %
West	511	505	+ 6	+ 4.7 %
Producing	1,235	1,220	+ 15	+ 13.2 %
Lower 48 Total	3,831	3,794	+ 37	+ 5.9 %

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: Gas rig count down 27 to 907

The gas rig count for the U.S. was down 27 when compared to the prior week and down 48 when compared to 12 months ago. The U.S. total rig count was up 5 when compared to the prior week, and up 343 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

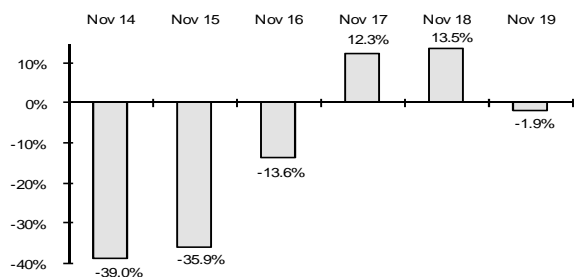
	As of 11/4/11	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	2026	+ 5	1683	+ 343
Gas	907	- 27	955	- 48
Oil	1112	+ 34	718	+ 394
Texas	919	+ 2	720	+ 199
N. Amer.	2502	- 18	2100	+ 402

Numbers are excerpted and not meant to be totaled

This week: U.S. energy use seesaws

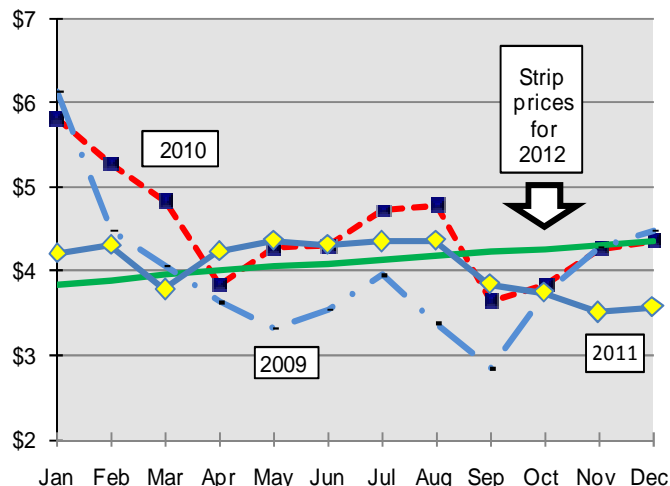
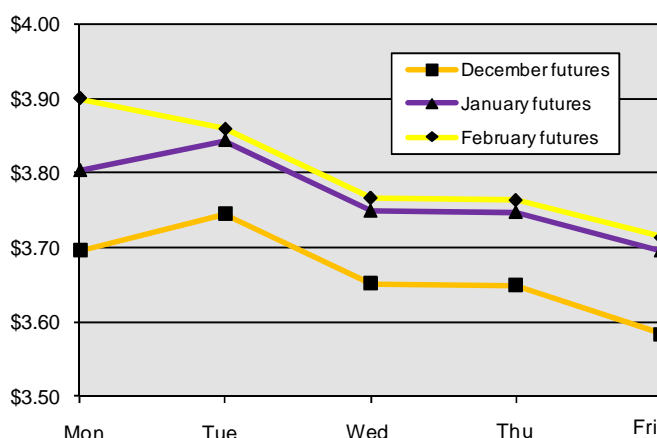
U.S. energy use is forecasted to be higher than normal on Thursday and Friday, yet otherwise lower than normal this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

U.S. ENERGY USE FORECAST

NATURAL GAS TRENDS will not be published on Monday, November 21, 2011. Publication will resume on November 28, 2011.

Strip prices. The natural gas strip price, shown below in green, is the average of daily settlement prices, by month, for 2012 gas futures contracts.

NYMEX HENRY HUB FUTURES PRICES**NYMEX NATURAL GAS PRICE MOVEMENT 11/7/11- 11/11/11**

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